

**SUBSCRIPTION IMPLEMENTATION PLAN
DISCUSSION PAPER
DRAFT 4(d)**

This paper reviews the existing Implementation Plan and encourages discussion of related issues.

Since the original Implementation Plan was drafted last fall, BPA has updated the estimates of firm inventory it anticipates will be available to serve firm loads in 2002-2006. In addition, perceptions in the region about how BPA's rate might compare to market prices in this time period have changed. The Subscription Work Group is looking at whether the Implementation Approach "adopted" in January is still appropriate.

This important topic needs discussion among parties in the region, including those participating in the Subscription Work Group. This issue is a test of the Work Group's consensus building on how to make the Comprehensive Review's Subscription recommendations work without the need for legislative change. BPA is presenting this paper, and the options in it, to facilitate the discussions that are necessary for a regional understanding on how to resolve this question.

CHANGING CONDITIONS

When the Comprehensive Review made its recommendations, most parties in the region believed that BPA's cost-based rate for 2002–2006 would be at or above the then-prevailing market rate.

- a. It was expected that BPA would have some difficulty selling its inventory.
- b. It was not expected that various customer classes would be in competition for a limited amount of cost-based power.
- c. The right to purchase BPA power in the post-2006 era – as BPA's cost-based rates declined permanently below market prices – was thought to be the primary motivation for parties to subscribe for BPA power.
- d. It was anticipated that BPA would need to make some cost-based sales to nontraditional regional customers and loads to protect its financial situation.

The most recent estimates based on the Aurora Model lead to an expectation that BPA will be below market in most scenarios. Current Aurora model projections of market prices in the period 2002–2006 range from a Low Estimate of 20.6 mills per kilowatthour for flat undelivered energy, a Medium Estimate of 28.5 mills per kilowatthour, to a High Estimate of around 39 mills per kilowatthour. BPA's previously announced target of a cost-based price of 20 mills per kilowatthour (delivered) translates into a price of 18.6 mills per kilowatthour for flat, undelivered energy.

The Comprehensive Review recommendations were also based on an assumption that BPA's firm inventory would be in the range of 8300 average megawatts (aMW).

Current FY 2002-2006 Inventory Estimates

Firm Inventory	7,820 aMW
Firm Inventory Available for Subscription	6,380 aMW

Comprehensive Review Phase Amounts of Load

Phase 1 Public Customers	4,300 aMW
Phase 2 DSI's	2,040 aMW
Phase 2 IOU/Exchange Loads	3,370 aMW
Phase 1 and 2 Subtotal	9,710 aMW
Other Regional Load	12,650 aMW

Exchange Settlement Options. At this time the Exchange Issues Subgroup has produced no recommendations.

IMPLEMENTATION OPTIONS (See Attached Table)

Plan A: Current Implementation Approach. The Current Implementation Approach, endorsed by the Subscription Work Group last fall, envisions a "one window" (July 1998 through October 2000) approach to subscription instead of a "phase-by-phase" approach. Through the one window approach, BPA would take requests from any regional purchaser to sign up for power without a specific BPA customer class schedule. The purchaser could sign a subscription contract on its schedule during the window.

The approach envisions:

- estimates of the amount of power that the Phase 2 (DSI and IOU) loads could buy early in the process, but these estimates would be revised over time if preference customer purchases lag behind expectations;
- an amount of power set aside until later in the window to provide some entities (for example "aggregators" of current IOU exchange loads) the additional time they need to participate; and
- BPA taking its remaining power to the market during the window, if subscription sales lag behind expectations, so that BPA (and the region) could avoid a "fire sale" at the end of the window.

The one window approach would not guarantee anyone that power at the lowest price would be available in the final months of the subscription window.

Plans B – F: Allocation and Price Differentiation Options. Under these options, BPA would establish a cost-based rate for subscription amounts, and a different cost-based rate or rates for additional amounts of service.

In the following options, the amounts shown are the totals of the amounts that would be estimated to be available to each customer within the class identified. For each customer who buys within its share of the amounts shown, these options would make power available to it at BPA's lowest cost-based rate. If a customer requests higher amounts of purchases than its calculated subscription share, BPA's price for that additional service would reflect the higher costs of arranging for additional resources to meet this request.

This option paper is intended to spark discussion and resolution. Some topics for follow-on discussion could be:

1. Are there additional allocation and price differentiation options that should be added?
2. Should stranded cost risks be linked more directly to the amount of subscription benefits achieved through this relationship with BPA?
3. Can the region find consensus on this topic?

		Comprehensive Review Amounts ^{*/}	Comprehensive Review Plan				Least Purchases D	Maximize Exchange Load E	Public Preference Plan F
			Open Window A	Bigger Pie B	Phase B 50-50 C1	Phase B Pro Rata C2			
Phase 1	Phase 1:	4300		4300	4300	4300	4300	4300	5500
Phase 2	Phase2 * DSI * IOU/EXCH	2040 3370		1020 1690	1040 1040	770 1310	1720 360 (PGE)	2080	440 440
TOTAL			6380	7010	6380	6380	6380	6380	6380

^{*/} Total potential subscription rights of each customer class under the Comprehensive Review

Options A, B, C1 and C2 are consistent with the Comprehensive Review Approach.

- A Open Window Plan:** The current plan; an “open window” for all comers for the term of subscription. (See text.)
- B Bigger Pie Plan:** BPA will serve Phase 1 amounts and up to 50 percent of Phase 2 amounts. BPA will go to market to “firm” a maximum of 630 aMW of Nonfirm. (Firming 630 aMW would be necessary only if each customer placed on BPA all of the load it can buy at BPA’s lowest-priced cost-based rate.)
- C1 Phase B 50-50 Plan:** BPA will sell to meet Phase 1 load. Phase 2 loads share remainder equally.
- C2 Phase B Pro Rata Plan:** BPA will sell to meet Phase 1 load. Phase 2 loads share remainder on a pro-rata basis.

Options D, E & F depart from the plan envisioned by the Comprehensive Review.

- D Least Purchases Plan:** In order to minimize purchase exposure, sell to meet Phase 1 load and as much of 100 percent load factor DSI Phase 2 load as possible.
- E Maximize Exchange Load:** Sell to meet Phase 1 load and as much of IOU/EXCH load as possible.
- F Public Preference Plan:** BPA will sell to meet Public Power Phase 1 and Phase 3 load now served by uneconomic or expiring contract 5(b)(1)(B) resources (assumed to be 1200 aMW). Phase 2 loads share remainder equally.